

OFFICE OF AUDITOR OF ACCOUNTS

REQUEST FOR PROPOSAL  
FOR

PROFESSIONAL AUDITING SERVICES

JANUARY 29, 2010

**ATTESTATION ENGAGEMENT FOR THE  
PRE-IMPLEMENTATION REVIEW OF THE PEOPLESOFT  
FIRST STATE FINANCIALS (FSF) SYSTEM (VERSION 8.9)  
AND  
UPGRADE TO PAYROLL HUMAN RESOURCE STATEWIDE TECHNOLOGY (PHRST)  
SYSTEM (VERSION 8.9)**

**RFP10-CPA-03**

by

State of Delaware  
Office of Auditor of Accounts  
Townsend Building, Suite 1  
401 Federal Street  
Dover, Delaware 19901

OFFICE OF AUDITOR OF ACCOUNTS

REQUEST FOR PROPOSAL

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OFFICE OF AUDITOR OF ACCOUNTS  
REQUEST FOR PROPOSAL

I. INTRODUCTION

A. General Information

In accordance with 29 *Del. C.* Chapter 69, Subchapter VI, *Professional Services*, the Office of Auditor of Accounts (AOA) is distributing this Request for Proposal (RFP) to, and requesting proposals from, qualified certified public accounting firms (big 4 firms and second tier firms only) and to firms who specialize in information technology services to perform agreed-upon procedures, listed in Appendix B, for the Pre-Implementation Review of the State of Delaware's PeopleSoft First State Financials (FSF) System (Version 8.9) and the upgrade to Payroll Human Resource Statewide Technology (PHRST) System (Version 8.9). This engagement is for a one-year period and is to be performed in accordance with attestation standards established by the American Institute of Certified Public Accountants (AICPA) and *Government Auditing Standards* and ISACA Document G21 entitled Enterprise Resource Planning Systems Review.

There is no expressed or implied obligation for AOA to reimburse responding firms for any costs or expenses incurred in preparing proposals in response to this request. AOA will not pay any costs or expenses incurred by any firm associated with any aspect of responding to this RFP, including proposal preparation, printing, or delivery, or the negotiation process. Additionally, no indirect reimbursements (e.g., in the form of credits or reductions to any agreed upon compensation) shall be made to any responding firm by AOA for any such costs or expenses.

A *mandatory* pre-proposal conference for all the firms interested in submitting a proposal will be held at 10:00 a.m. on February 10, 2010, in the Office of Auditor of Accounts' 3<sup>rd</sup> Floor Conference Room, Townsend Building, 401 Federal Street, Dover, DE 19901 to answer questions about the engagement. After this *mandatory* pre-proposal conference, any inquiries concerning the RFP should be addressed to both of the following AOA personnel.

Kathleen O'Donnell, CPA-PA, CISA, CGFM, CGAP  
Chief Administrative Auditor  
302-857-3919 (Kathleen.ODonnell@state.de.us)

Candace M. Casto, CGFM  
Senior Manager, Contracts & Administration  
302-857-3910 (Candace.Casto@state.de.us)

To be considered, five copies of the *technical* proposal must be sent to Kathleen O'Donnell, Chief Administrative Auditor, and five copies of the *cost* proposal must be sent to Candace M. Casto, Senior Manager, Contracts & Administration, at Office of Auditor of Accounts, Townsend Building, Suite 1, 401 Federal Street, Dover, DE 19901 by 3 p.m. (EST) on February 24, 2010. **ALL PROPOSALS MUST BE DELIVERED TO AOA'S THIRD FLOOR OFFICE IN THE TOWNSEND**

**BUILDING, SUITE 1, 401 FEDERAL STREET, DOVER, DE 19901. IF USING FEDERAL EXPRESS OR ANOTHER COMPANY, PLEASE DO NOT DELIVER TO THE DIVISION OF CORPORATIONS OR ANY OTHER AGENCY IN THE TOWNSEND BUILDING.** AOA reserves the right, exercised in its sole discretion, to reject any or all proposals submitted.

Proposals submitted may be evaluated by the following: Chief Administrative Auditor; Deputy Auditor; Senior Manager, Contracts & Administration; Senior Audit Manager, Audit Manager; and/or Audit Supervisor if he/she is in charge or involved with the audit/engagement. A representative from the three oversight agencies will also be on the Evaluation Committee.

During the evaluation process, AOA's staff reserves the right, where it may serve the State of Delaware's best interests, to request additional information or clarifications from proposers, or to allow corrections of errors or omissions. At the discretion of AOA staff or the Evaluation Committee, firms submitting proposals may be requested to make oral presentations as part of the evaluation process.

AOA reserves the right to retain all proposals submitted and to use any ideas in a proposal regardless of whether that proposal is selected. Submission of a proposal indicates acceptance by the firm of the conditions contained in this RFP, unless clearly and specifically noted in the proposal submitted and confirmed in the contract between AOA and the firm selected.

It is anticipated the selection of a firm will be completed by March 8, 2010. Following the notification of the selected firm it is expected a contract will be executed between both parties by March 12, 2010.

**B. Term of Engagement**

A one-year contract is contemplated, with the option to renew, and is subject to the satisfactory negotiation of terms (including a cost acceptable to both AOA and the selected firm) and the annual availability of an appropriation by the Legislature for the Pre-Implementation Review of the PeopleSoft Version 8.9 First State Financials (FSF) and Payroll Human Resource Statewide Technology (PHRST) Systems.

**C. Subcontracting**

Firms submitting proposals are encouraged to consider subcontracting portions of the engagement to small audit firms or audit firms owned and controlled by socially and economically disadvantaged individuals. If this is to be done, that fact, and the name of the proposed subcontracting firms, must be clearly identified in the proposal. Following the award of the audit contract, no additional subcontracting will be allowed without the express prior written consent of AOA.

## II. NATURE OF SERVICES REQUIRED

### A. General

AOA is soliciting the services of qualified certified public accounting firms (big 4 firms and second tier firms only) and to firms who specialize in information technology services to perform agreed-upon procedures for the State of Delaware's Pre-Implementation Review of the PeopleSoft Version 8.9 FSF and the upgrade to the PHRST System (Version 8.9). This engagement is to be performed in accordance with the provisions contained in this RFP.

### B. Scope of Work to be Performed

AOA desires the auditor to perform the agreed-upon procedures listed in Appendix B for the Pre-Implementation Review of the FSF System and Upgrade to PHRST System in three stages. **Three separate written reports will be required for the three stages. In Appendix B, Stage 1 will be Sections I – III; Stage 2 will be Sections IV-XV; and Stage 3 will be Sections XVI-XVII. For Stage 1, interim meetings will be required to be held with the AOA.** This engagement is to be performed in accordance with the provisions contained in this RFP.

The FSF is the financials portion of the State of Delaware's ERP. The implementation of FSF will eliminate the State's financial processes and systems that are obsolete; DFMS, BACIS, and OMS. The FSF effort on the ERP Project consists of the implementation of the following financial modules:

- 10 Modules for the FSF System
  - Asset Management (AM)
  - Accounts Payable (AP)
  - Accounts Receivable (AR)
  - Billing (BI)
  - Cash Management (CM)
  - eProcurement (ePro)\*
  - Purchasing (PO)\*
  - General Ledger (GL)/Commitment Control (KK)\*
  - Grants Management (GM)
  - Project Closing (PC)

\*Separate Modules, but very closely related. eProcurement is a separate module that can be purchased and acts as a "front-end" to Purchasing.

PHRST is the Human Capital Management (HCM) portion of the State of Delaware's ERP Project. The PHRST 8.9 Upgrade on the ERP Project consists of an upgrade from the current 8.8 to 8.9 version; this includes some de-customization, as well as implementation of Pay Components and Commitment Accounting.



- 5 Modules for PHRST Upgrade
  - Human Resource
  - Benefits
  - Funding
  - Pay Components for School Employees
  - Payroll
  - Time and Labor

AOA desires the auditor to perform the agreed-upon procedures and report on those procedures in accordance with attestation standards established by the American Institute of Certified Public Accountants and *Government Auditing Standards*.

**Goal:** Ensure that the Enterprise Resource Planning System is used to manage the business processes, integrate purchasing, inventory, personnel, financial management and other aspects of the entity. The System should be based on a common database that is utilized by integrated business process applications modules and business analysis tools.

Risks and control challenges associated with implementation of ERP Systems<sup>1</sup> are as follows:

- Industry and business environment
- User or management behavior
- Business processes and procedures
- System functionality
- Application security
- Underlying infrastructure
- Data conversion and integrity
- Ongoing maintenance/business continuity

Specific concerns<sup>2</sup> regarding ERP systems include:

- Failure to meet user requirements
- Failure to integrate
- Incompatibility with technical infrastructure
- Vendor support problems

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<sup>1</sup> Enterprise Resource Planning Systems Review, Document G21, ISACA

<sup>2</sup> The Garter Group

- Expensive and complex installations

Business Process Reengineering (BPR) is comprised of three phases:

Analysis – the existing processes are reviewed to determine the need for process changes throughout the organization. Defining required changes early in the planning phase is critical to identifying the resources needed to successfully complete the project.

Redesign – the “to be model” of the new workflow (specific steps that make up the business process) is defined. This will include the identification of new information needed and new ways to utilize old information. Consideration to sharing of information across functional areas and system specifications are performed during this phase.

Transformation – the migration plan is created and executed with consideration given to the various aspects of testing including user acceptance testing prior to going live with components of the new system.

Critical implementation areas consist of project management, quality management, benefit management, risk management, and change management.

C. Auditing Standards to be Followed

To meet the requirements of this RFP, the review shall be performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and *Government Auditing Standards* and ISACA Document G21 entitled Enterprise Resource Planning Systems Review.

D. Reports to be Issued

AOA desires the auditor to perform the agreed-upon procedures listed in Appendix B for the Pre-Implementation Review of the FSF System and Upgrade to PHRST System in three stages. **Three separate written reports will be required for the three stages. In Appendix B, Stage 1 will be Sections I – III; Stage 2 will be Sections IV-XV; and Stage 3 will be Sections XVI-XVII.** The reports on the subject matter or assertion about a subject matter must be in conformity with attestation standards established by the American Institute of Certified Public Accountants and *Government Auditing Standards*.

In an agreed-upon procedures or examination report, all findings shall be reported unless they are clearly inconsequential considering both qualitative and quantitative factors. Inconsequential findings shall be communicated to the AOA and auditee in writing in a separate document depending on their significance. Evidence of the communication shall be in the attest documentation.

Irregularities and illegal acts. All situations or transactions that come to the auditor’s attention that could be indicative of fraud, abuse, illegal acts, material errors, defalcations, or other irregularities shall be promptly reported to AOA in writing and AOA will determine the appropriate course of action.

E. Audit Documentation Retention and Access to Audit Documentation

All audit documentation and reports must be retained, at the auditor's expense, for a minimum of three years, unless the firm is notified in writing by AOA of the need to

extend the retention period. The auditor will be required to make audit documentation available, upon request, to the following parties or their designees:

- Office of Auditor of Accounts
- Department of Technology and Information (DTI)
- Office of Management and Budget (OMB)
- Department of Finance
- U.S. Department of Health and Human Services
- U.S. Government Accountability Office (GAO)
- Parties designated by the federal or state governments or by AOA as part of an audit quality review process
- AOA Peer Review Team

In addition, the firm shall respond to the reasonable inquiries of successor auditors and allow successor auditors to review audit documentation relating to matters of continuing accounting significance.

F. Background Checks

The CONTRACTOR, and any Subcontractors, will be required to obtain an annual financial and criminal background check, issued by the Delaware Department of Safety and Homeland Security, Division of State Police, as determined by the AOA, at the cost of the CONTRACTOR. If determined by the AOA to be necessary, CONTRACTOR also agrees to permit the State of Delaware to perform a criminal history background investigation of any of the CONTRACTOR'S project staff, which will also be at the cost of the CONTRACTOR. If any of the CONTRACTOR'S project staff has been convicted of a crime, the CONTRACTOR shall remove such staff from the project at the request of the AOA.

III. DESCRIPTION OF THE GOVERNMENT

A. Location of Office

The records for the Pre-Implementation Review of the FSF and PHRST Systems will be at the Department of Technology and Information, Office of Management and Budget, and Department of Finance.

B. Background Information

The State's major financial systems are now obsolete. The current accounting system, Delaware Financial Management System (DFMS) is now 20 years old and has a

mainframe operating system. The current PHRST system has a Unix operating system. The Transportation Accounting System (BACIS) is 40 years old, and the Operations Management System (OMS) is 12 years old. The PeopleSoft Financials will replace the State's current fragmented accounting, purchasing, budgeting, and reporting systems with an integrated, real-time web-based system that will incorporate all financial functions and the latest best practices.

The benefits of the FSF system and the upgrade to the PHRST system will be to streamline existing business practices, decrease and avoid costs, reduce effort and complexity of implementation, minimize long-term support costs, and provide an upgrade path.

The statewide ERP project is comprised of two components; the upgrade of the Human Capital Management modules (Human Resources, Benefits Administration, Payroll, Time and Labor) and a statewide implementation of PeopleSoft Financials which will replace and consolidate the current mainframe accounting systems. The Integrated User Acceptance Testing began on August 8, 2009. The project is on schedule with 'Go Live' scheduled for June 2010.

- **DTI'S WEBSITE**
  - <http://dti.delaware.gov/>
  - <http://extranet.phrst.state.de.us>
  - <http://extranet.fsf.state.de.us>
- **BUDGET AND ACCOUNTING MANUAL**
  - <http://www.budget.delaware.gov/accounting-manual/account-manual.shtml>

#### IV. TIME REQUIREMENTS

##### A. Proposal Calendar

The following is a list of key dates up to and including the date proposals are due to be submitted:

- |                               |                   |
|-------------------------------|-------------------|
| • Request for proposal issued | January 29, 2010  |
| • Pre-proposal conference     | February 10, 2010 |
| • Due date for proposals      | February 24, 2010 |

##### B. Notification and Contract Dates

- |                          |                |
|--------------------------|----------------|
| • Selected firm notified | March 8, 2010  |
| • Contract date          | March 12, 2010 |

##### C. Date Engagement May Commence

The records will be available for review as soon as the contract is fully executed and a State of Delaware purchase order is signed and processed.

D. Schedule for the Engagement

The Contractor shall provide the auditee with a schedule and a list of all information to be provided by the respective agency.

E. Entrance and Exit Conferences

At a minimum, an entrance and exit conference must be held with the department's fiscal officer and key personnel. The Contractor must keep the auditee updated on the progress of the engagement.

F. Reports

1. Draft Reports - The auditor shall provide an electronic version of each draft report to the Secretary of DTI, Secretary of Finance, and the Budget Director for their review and approval. The Secretary of DTI, Secretary of Finance, and the Budget Director should complete their review of the draft report as expeditiously as possible. During management review, the CONTRACTOR should be available to discuss the report. After all issues are resolved and management has approved the draft report, an electronic version of the draft report shall be forwarded to AOA Attention Kathleen O'Donnell (Kathleen.ODonnell@state.de.us) for review and a copy to Kimberly Zink ([Kimberly.Zink@state.de.us](mailto:Kimberly.Zink@state.de.us)) by close of business on the following dates. **(\*Please note that Stages 2 and 3 Report due dates may be negotiated based on the outcome of the Stage 1 Report.)**

- Stage 1 Report April 30, 2010
- Stage 2 Report September 3, 2010
- Stage 3 Report October 29, 2010

2. Final Reports – The final report (three printed copies and an electronic version of each) is due to AOA Attention Kimberly Zink ([Kimberly.Zink@state.de.us](mailto:Kimberly.Zink@state.de.us)) by close of business on the following dates. AOA may perform a quality control review of the audit documentation prior to the issuance of the report. **(\*Please note that Stages 2 and 3 Report due dates may be negotiated based on the outcome of the Stage 1 Report.)**

- Stage 1 Report May 7, 2010
- Stage 2 Report September 17, 2010
- Stage 3 Report November 12, 2010

## V. REPORT PREPARATION

- A. Report preparation, editing, and printing shall be the responsibility of the CONTRACTOR. The draft report must have a supervisory and technical review before it is submitted to AOA.

## VI. PROPOSAL REQUIREMENTS

### A. General Requirements

#### 1. *Mandatory* Pre-proposal Conference

Firms interested in submitting a proposal must attend a *mandatory* pre-proposal conference at 10:00 a.m. on February 10, 2010 in the Office of Auditor of Accounts' 3<sup>rd</sup> Floor Conference Room, Townsend Building, 401 Federal Street, Dover, DE 19901. Both verbal and written questions will be accepted during the conference. Representatives from some of the agencies will be available at the conference to discuss their operations.

#### 2. Inquiries

Inquiries concerning the RFP and the subject of the RFP must be made to:

Kathleen A. O'Donnell, CPA-PA, CISA, CGFM, CGAP  
Chief Administrative Auditor  
302-857-3919  
Kathleen.ODonnell@state.de.us

and

Candace M. Casto, CGFM  
Senior Manager, Contracts & Administration  
302-857-3910  
Candace.Casto@state.de.us

**Direct contact with State of Delaware or AOA employees other than the above-referenced contacts regarding this RFP is expressly prohibited without prior consent.** Firms contacting State of Delaware or AOA employees risk elimination of their proposal from further consideration. Exceptions exist only for organizations currently doing business in the State of Delaware who require contact in the normal course of business.

#### 3. Submission of Proposals

**To be considered, all proposals must be submitted by the due date listed in Section IV, A. to AOA's third floor office, Townsend Building, Suite 1, 401 Federal Street, Dover, DE 19901,** in writing and respond to the items outlined in this RFP using the following required format. AOA reserves the right to reject any non-responsive or non-conforming proposals, as well as proposals received

after the specified date and time. By submitting a proposal, and in consideration of AOA's efforts and representations with respect to the review and evaluation of its proposal, the firm expressly agrees to be bound by the terms and conditions of this RFP in the event it is selected for the engagement. The following material is required to be received by the due dates listed for a firm to be considered:

B. Technical Proposal

The purpose of the Technical Proposal is to demonstrate the qualifications, competence and capacity of the firms seeking to perform agreed-upon procedures in Appendix B in conformity with the requirements of this RFP. As such, the substance of proposals will carry more weight than their form or manner of presentation. The Technical Proposal should list the particular staff to be assigned to this engagement, and specify an audit approach that will meet the RFP requirements.

**THERE SHOULD BE NO DOLLAR UNITS OR TOTAL COSTS INCLUDED IN THE TECHNICAL PROPOSAL DOCUMENT.**

The Technical Proposal should address all the points outlined in the RFP (excluding any cost information which should only be included in the sealed dollar cost bid). The Proposal should be prepared simply and economically, providing a straightforward, concise description of the proposer's capabilities to satisfy the requirements of the RFP. While additional data may be presented, the following subjects, items Nos. 2 through 10, must be included in the required format. Those subjects represent the criteria against which the proposal will be evaluated.

1. Required Format - A master copy (so marked) of a sealed Technical Proposal and *four* copies (total of *five* copies) to include the following. **The RFP reference number (RFP10-CPA-03) must be noted on the outside of the sealed envelope along with "Technical Proposal."**

- a. Title Page

Title page showing RFP subject; RFP reference number; the firm's name; the contact's name, address, telephone number, and e-mail address; and the date of the proposal. The transmittal letter must also clearly state and justify any exceptions to the requirements of the RFP that the applicant may have taken in presenting the proposal.

- b. Table of Contents

Table of contents should clearly identify each section by page number.

- c. Transmittal Letter

A signed letter of transmittal briefly stating the proposer's understanding of the work to be done, the commitment to perform the work within the time period, a statement why the firm believes it is best qualified to

perform the engagement, and a statement that the proposal is a firm and irrevocable offer for one month after the due date of proposal.

d. Detailed Proposal

The proposal must conform to the proposal requirements of the RFP. AOA specifically reserves the right to waive any informalities or irregularities in the proposal format. The detailed proposal should follow the order set forth in Section VI B and C of this RFP.

2. Mandatory Criteria (all criteria must be met or the proposal cannot be considered)

a. Independence

The firm should provide an affirmative statement that it is independent of the auditee as defined by auditing standards in the U.S. Government Accountability Office's *Government Auditing Standards*.

In addition, the firm shall give the auditee and AOA written notice of any professional relationships entered into during the period of this agreement.

b. License to Practice in Delaware

An affirmative statement should be included that the firm and the engagement partner and manager/supervisor in charge are currently licensed or in the process of obtaining a license as a certified public accountant to practice in the State of Delaware. The applicant must provide evidence of a valid Delaware CPA permit for all Delaware CPAs on the audit team and a business license for the firm.

3. Firm Qualifications, Experience, and Requirements

The proposer should state the size of the firm, the size of the firm's governmental audit staff, the location of the office from which the work on this engagement is to be performed, and the number and nature of the professional staff to be employed in this engagement on a full-time basis, and the number and nature of the staff to be employed on a part-time basis.

If the proposer is a joint venture or consortium, the qualifications of each firm comprising the joint venture or consortium should be separately identified and the firm that is to serve as the principal auditor should be noted, if applicable.

The firm is also required to identify and include proof of any applicable professional credentials and certifications held by each individual proposed by the Contractor to this contract. Applicable credentials and certifications include, but are not limited to: Project Management Professional (PMP), Certified



Information Systems Auditor (CISA), Certified Information Technology Professionals (CITP), Program Management Professional (PgMP), Six Sigma, and ITIL Professional.

For CPA firms, the firm is also required to submit a copy of the report on its most recent external quality control review, with a statement whether that quality control review included a review of specific government engagements.

The firm shall certify that it has not been suspended or debarred from performing government audits or from other government activity. In addition, the firm shall certify that it has not been the subject of any disciplinary action or inquiry in any jurisdiction during the past three years.

The firm must certify that it shall maintain such insurance as will protect against claims under Worker's Compensation Act and from any other claims for damages for personal injury, including death, which may arise from operations under this Contract. The Contractor is an independent contractor and is not an employee of the State.

The Contractor shall, at its expense, carry insurance of minimum limits as follows:

- |    |                                   |  |
|----|-----------------------------------|--|
| a. | Commercial General Liability..... | \$5 million per claim/<br>\$10 million aggregate |
| b. | Professional Liability.....       | \$5 million per claim/<br>\$10 million aggregate |

The Contractor shall provide evidence of such insurance.

4. Partner, Supervisory and Staff Qualifications and Experience

Identify the principal supervisory and management staff, including engagement partners, managers, other supervisors and specialists, who would be assigned to the engagement. Indicate whether each person is registered or licensed to practice as a certified public accountant in the State of Delaware. Provide information on the government auditing experience of each person, including information on relevant continuing professional education for the past three years and membership in professional organizations relevant to the performance of this audit and whether or not that person, within the past three years, has been the subject of any disciplinary action or inquiry in any jurisdiction.

Provide as much information as possible regarding the number, qualifications, experience and training, including relevant continuing professional education, of the specific staff to be assigned to this engagement. Indicate how the quality of staff over the term of the agreement will be assured.

The proposer should identify the extent to which staff to be assigned to the audit reflect the State of Delaware's commitment to Affirmative Action found at [http://www.delawarepersonnel.com/diversity/documents/guidelines\\_120809.pdf](http://www.delawarepersonnel.com/diversity/documents/guidelines_120809.pdf).

Engagement partners, managers, other supervisory staff and specialists may be changed if those personnel leave the firm, are promoted or are assigned to another office. These personnel may also be changed for other reasons with the express prior written permission of AOA. However, in either case, AOA retains the right to approve or reject replacements and the replacements must have substantially the same or better qualifications or experience.

Consultants and firm specialists mentioned in response to this RFP can only be changed with the express prior written permission of AOA, which retains the right to approve or reject replacements.

Other audit personnel may be changed at the discretion of the proposer provided that replacements have substantially the same or better qualifications or experience.

5. Prior Engagements With AOA

List separately all engagements within the last three years, ranked on the basis of total staff hours, for AOA by type of engagement (i.e., audit, management advisory services, other). Indicate the scope of work, date, engagement partners, total hours, the location of the firm's office from which the engagement was performed, and the name and telephone number of the principal client contact.

6. Similar Engagements With Other Entities

For the firm's office that will be assigned responsibility for the audit, list the most significant engagements (maximum of 5) performed in the last three years that are similar to the engagement described in this RFP (PeopleSoft modules being evaluated). These engagements should be ranked on the basis of total staff hours. Indicate the scope of work, date, engagement partners, total hours, and the name and telephone number of the principal client contact.

7. Specific Audit Approach

The proposal should set forth a work plan, including an explanation of the audit methodology to be followed, to perform the services required in Section II of this RFP.

Proposers will be required to provide the following information on their audit approach:

- a. Proposed segmentation of the engagement.
- b. Level of staff and number of hours to be assigned to each proposed segment of the engagement.

- c. Level of State staff by role and number of hours needed to assist with the audit.

NO DOLLARS SHOULD BE INCLUDED IN THE TECHNICAL PROPOSAL

- d. Sample size and the extent to which statistical sampling is to be used in the engagement.
- e. Describe the audit software that will be used in the engagement.
- f. Describe additional review procedures Contractor deems appropriate based on their past experience with ERP system implementations.
- g. Type and extent of analytical procedures to be used in the engagement.
- h. Approach to be taken in determining laws and regulations that will be subject to audit test work.
- i. Approach to be taken in drawing audit samples for purposes of tests of compliance.
- j. Approach to be taken to manage the engagement process and ensure time and staff commitments required to meet AOA deadlines.

8. Identification of Anticipated Potential Audit Problems

The proposal should identify and describe any anticipated potential audit problems, the firm's approach to resolving these problems, and any special assistance that will be requested from the auditee.

C. Cost Proposal

Required Format – A master copy (so marked) of a sealed Cost Proposal and *four* copies (total of *five* copies) to include the following. **The RFP reference number (RFP10-CPA-03) must be noted on the outside of the sealed envelope along with “Cost Proposal.”**

The sealed envelope shall contain the name and address of the proposing firm and the sealed dollar bid shall include the following:

1. Total All-Inclusive Maximum Cost

The sealed dollar cost bid must contain all cost information relative to performing the audit engagement as described in this RFP. The contract will be a firm fixed price (total all-inclusive maximum cost) and it must contain all direct

and indirect costs including all out-of-pocket expenses and **must be presented on Appendix A.**

AOA will not be responsible for expenses incurred in preparing and submitting the sealed technical proposal or the sealed dollar cost bid. Such costs should not be included in the proposal.

The first page of the sealed dollar cost bid should include the following information:

- a. Name of Firm.
  - b. Certification that the person signing the proposal is entitled to represent the firm, empowered to submit the bid, and authorized to sign a contract with AOA.
  - c. A Total All-Inclusive Maximum Cost for each fiscal year.
2. Rates by Partner, Specialist, Supervisory and Staff Level Times Hours Anticipated for Each

The second page of the sealed dollar cost bid should include a schedule of professional fees and expenses, presented in the format provided in the attachment (Appendix A), that supports the total all-inclusive maximum cost.

3. Out-of-Pocket Expenses Included in the Total All-inclusive Maximum Cost and Reimbursement Rates

Out-of-pocket expenses for firm personnel (e.g., travel, lodging, and subsistence) will be reimbursed at the prevailing rates used by the State of Delaware for its employees. All estimated out-of-pocket expenses to be reimbursed must be presented on the second page of the sealed dollar cost bid in the format provided in the attachment (Appendix A). All expense reimbursements will be charged against the total all-inclusive maximum cost submitted by the firm.

**In addition, a statement must be included in the sealed dollar cost bid stating the firm will accept reimbursement for travel, lodging, and subsistence at the prevailing rate used by the State of Delaware for its employees (State Budget and Accounting Manual found at <http://www.budget.delaware.gov/accounting-manual/chapter-xiii.pdf> and U.S. General Services Administration (GSA) rates found at <http://www.gsa.gov/perdiem>).**

4. Rates for Additional Professional Services

If it should become necessary for AOA to request the auditor to render any additional services to either supplement the services requested in this RFP or to perform additional work as a result of the specific recommendations included in any report issued on this engagement, then such additional work shall be

performed only if set forth in an addendum to the Agreement between AOA and the firm. Any such additional work agreed to between AOA and the firm shall be performed at the same rates set forth in the schedule of fees and expenses included in the sealed dollar cost bid.

5. Manner of Payment

Progress payments up to 90 percent will be made on the basis of hours of work completed during the course of the engagement and out-of-pocket expenses incurred in accordance with the firm's dollar cost bid proposal. Invoices shall cover a period of not less than a calendar month and must include the following: (1) name of auditee/engagement; (2) amount and if it's a progress or final invoice; and (3) a breakdown of staff and hours for each. Ten percent of the contract amount will be retained until the Exit Conference has been held and the final reports have been reviewed and accepted by AOA.

CONTRACTOR agrees to bill AOA only for actual work performed and out-of-pocket expenses incurred during its performance of the engagement. CONTRACTOR must submit all invoices in writing or electronic format to AOA for approval. Invoices must include the name of the auditor who performed the work, the nature of work performed, the date(s) work performed, the number of hours worked and the corresponding hourly rate, in addition to the amounts, descriptions and dates of all out-of-pocket expenses for which reimbursement is requested. If approved, AOA will forward the invoice to the auditee for payment or pay the invoices itself, depending on the type of audit.

D. Submission of Proposals

**All completed sealed proposals must be delivered in person, by mail, or by carrier service (e.g., FedEx, UPS, etc.) to the following AOA personnel at AOA's third floor office, Townsend Building, Suite 1, 401 Federal Street, Dover, DE 19901. Please do not have the proposals delivered to the Division of Corporations or any other agency.**

**Technical Proposal**

Kathleen A. O'Donnell, CPA-PA, CISA, CGFM, CGAP  
Chief Administrative Auditor  
302-857-3919  
Kathleen.ODonnell@state.de.us

**Cost Proposal**

Candace M. Casto, CGFM  
Senior Manager, Contracts & Administration  
302-857-3910  
Candace.Casto@state.de.us

**Any proposal submitted by mail shall be sent by either certified or registered mail to AOA's third floor office, Townsend Building, Suite 1, 401 Federal Street, Dover, DE 19901. Any proposal received after the above date shall not be considered and shall be returned unopened. The proposing firm bears the risk of delays in delivery.**

E. Modifications to Proposals

Any changes, amendments, or modifications to the proposal must be made in writing, submitted in the same manner as the original response and conspicuously labeled as a change, amendment, or modification to a previously submitted proposal. Changes, amendments, or modifications to proposals shall not be accepted or considered after the time and date specified as the deadline for submission of proposals.

VII. EVALUATION PROCEDURES

A. Evaluation Committee

Proposals submitted will be evaluated by an Evaluation Committee selected by AOA, and may consist of AOA and auditee personnel.

The Evaluation Committee may negotiate with one or more of the qualified firms during the same period and may, at its sole discretion, terminate negotiations with any and all firms at any time.

B. Review of Proposals

Proposals that do not meet or comply with the instructions of this RFP may be considered non-conforming and deemed non-responsive and subject to disqualification at the sole discretion of the Evaluation Committee.

The Evaluation Committee will use a point formula during the review process to score proposals. All assignments of points shall be at the sole discretion of the Evaluation Committee. Each member of the Evaluation Committee will first score each technical proposal by each of the criteria described in Section VII. C. below. The full Evaluation Committee will then convene to review and discuss these evaluations and to combine the individual scores to arrive at an average technical score for each firm. At this point, firms with an unacceptably low technical score will be eliminated from further consideration.

After the composite technical score for each firm has been established, the sealed dollar cost bid will be opened and additional points will be added to the technical score based on the cost bid. The maximum score for cost will be assigned to the firm offering the lowest total all-inclusive maximum cost. Appropriate fractional scores will be assigned to other proposers.

AOA reserves the right to retain all proposals submitted and use any idea in a proposal regardless of whether that proposal is selected and regardless of any statement of contention by a proposer to the contrary.

C. Evaluation Criteria

Proposals will be evaluated using three sets of criteria. Only firms meeting the mandatory criteria will have their proposals evaluated and scored for both technical qualifications and cost. The following represent the principal selection criteria that will be considered during the evaluation process.

1. Mandatory Elements

All firms are required to meet these elements. No points assigned.

- a. The audit firm is independent and licensed to practice in Delaware. Please provide a copy of your firm’s State of Delaware Occupational License (issued by the Division of Revenue); a copy of the firm’s State of Delaware Board of Accountancy permit; and copies of the State of Delaware Board of Accountancy Permit of the engagement partner and the manager/supervisor in charge.
- b. The firm has no conflict of interest with regard to any other work performed by the firm for the State of Delaware.
- c. The firm meets the continuing professional education standards of the *Government Auditing Standards*.
- d. The firm must be an active member of the American Institute of Certified Public Accountants (AICPA).
- e. The firm adheres to the instructions in this RFP on preparing and submitting the proposal.
- f. The firm is also required to identify and include proof of any applicable professional credentials and certifications held by each individual proposed by the Contractor to this contract. Applicable credentials and certifications include, but are not limited to: Project Management Professional (PMP), Certified Information Systems Auditor (CISA), Certified Information Technology Professionals (CITP), Program Management Professional (PgMP), Six Sigma, and ITIL Professional.
- g. For CPA firms, the firm has an internal quality control system in place and has had an external quality control review performed within the last three years or is currently under contract to have one performed. Please submit a copy of the firm’s last external quality control review report. The firm has a record of quality audit work.
- h. The firm has the following minimum limits in insurance:
  - (1) Commercial General Liability..... \$5 million per claim/  
\$10 million aggregate
  - (2) Professional Liability..... \$5 million per claim/

\$10 million aggregate

- i. The firm has not been suspended or debarred from performing government audits or from other governmental activity.
- j. The firm has not been the subject of any disciplinary action or inquiry during the past three years.

2. Technical Qualifications: (Maximum Points - 90)

a. Expertise and Experience

- (1) The firm's past experience and performance on comparable government engagements.
- (2) The quality of the firm's professional personnel to be assigned to the engagement and the quality of the firm's management support personnel to be available for technical consultation.

b. Audit Approach

- (1) Adequacy of proposed staffing plan for various segments of the engagement
- (2) Adequacy of proposed work plan and schedule for various segments of the engagement
- (3) Compliance with *Generally Accepted Auditing Standards*
- (4) Compliance with *Government Auditing Standards*

3. Cost (Maximum Points - 10)

COST WILL NOT BE THE PRIMARY FACTOR IN THE SELECTION OF AN AUDIT FIRM

Cost scoring is fractional and will be based on the number of proposals accepted and reviewed. The lowest cost proposal will receive the highest score. Each proposal thereafter will receive a percentage of up to 10 points based on the following mathematical formula.

$$\frac{\text{Lowest Cost Proposal Received}}{\text{Cost Proposal for Each Firm}} \times 10 = \underline{\hspace{2cm}}$$

D. Reservation of Rights

The Evaluation Committee reserves the right to:



1. Select for contract or for negotiations a proposal other than that with the lowest costs.
2. Reject any and all proposals or portions of the proposals received in response to this RFP or to make no award or issue a new RFP.
3. Waive or modify any information, irregularity, or inconsistency in proposals received.
4. Request modification to proposal from any or all contractors during the review and negotiation.
5. Negotiate any aspect of the proposal with any firm and negotiate with more than one firm at the same time.

The Evaluation Committee reserves the right to reject any proposal from a firm who:

1. Has been convicted for commission of a criminal offense as an incident to obtaining or attempting to obtain a public or private contract or subcontract, or in the performance of the contract or subcontract;
2. Has been convicted under State or Federal statutes of embezzlement, theft, forgery, bribery, falsification or destruction of records, receiving stolen property, or other offenses indicating lack of business integrity or business honesty that currently and seriously affects responsibility as a State contractor;
3. Has been convicted or has had a civil judgment entered for a violation under State or Federal antitrust statutes;
4. Has violated contract provisions such as:
  - a. Knowing failure without good cause to perform in accordance with the specifications or within the time limit provided in the contract;
  - or
  - b. Failure to perform or unsatisfactory performance in accordance with terms of one or more contracts;
5. Has violated ethical standards set out in law or regulation;
6. Any other cause listed in regulations of the State of Delaware determined to be serious and compelling as to affect responsibility as a State contractor, including debarment by another governmental entity for cause listed in the regulations.

E. Oral Presentations

During the evaluation process, the Evaluation Committee may, at its discretion, request any one or all firms to make oral presentations. Such presentations will provide firms

with an opportunity to answer any questions the Evaluation Committee may have on a firm's proposal. Not all firms may be asked to make such oral presentations. All costs associated with participation in oral presentations conducted for the State of Delaware are the firm's responsibility.

F. Confidentiality of Documents

All documents submitted as part of the firm's proposal will be deemed confidential during the evaluation process. Proposals will not be available for review by anyone other than AOA and the Evaluation Committee or its designated agents. There shall be no disclosure of any firm's information to a competing firm prior to award of the contract.

The State of Delaware is a public agency as defined by state law, and as such, it is subject to the Delaware Freedom of Information Act, 29 *Del. C.* Ch. 100. Under the law, all the State of Delaware's records are public records (unless otherwise declared by law to be confidential) and are subject to inspection and copying by any person. Vendor(s) are advised that once a proposal is received by the State of Delaware and a decision on contract award is made, its contents will become public record and nothing contained in the proposal will be deemed to be confidential except proprietary information.

Firms shall not include any information in their proposal that is proprietary in nature or that they would not want to be released to the public. Proposals must contain sufficient information to be evaluated and a contract written without reference to any proprietary information. If a firm feels that it cannot submit its proposal without including proprietary information, it must adhere to the following procedure or their proposal may be deemed unresponsive and will not be recommended for selection. Firm(s) must submit such information in a separate, sealed envelope labeled "Proprietary Information" with the RFP number. The envelope must contain a letter from the firm's legal counsel describing the documents in the envelope, representing in good faith that the information in each document is not "public record" as defined by 29 *Del. C.* § 10002(d), and briefly stating the reasons that each document meets the said definitions.

G. Final Selection

The AOA will select a firm based upon the recommendation of the Evaluation Committee. Neither AOA nor the Evaluation Committee nor the State of Delaware has any obligation to provide any firm with information or documentation related to the selection process and its decision with respect to this RFP beyond that which is described and required in this RFP or required by applicable law.

It is anticipated that a firm will be selected by the due date listed in Section IV. B. Following notification of the firm selected, it is expected a contract will be executed between both parties by the due date listed in Section IV. B.

H. Right to Reject Proposals

Submission of a proposal indicates acceptance by the firm of the conditions contained in this RFP unless clearly and specifically noted in the proposal submitted and confirmed in the contract between AOA and the firm selected.

AOA reserves the right without prejudice to reject any or all proposals.

## VIII. CONTRACT CONDITIONS

The firm awarded the contract will be required to enter into a written agreement with AOA. AOA reserves the right to incorporate standard State of Delaware contractual provisions into any contract negotiated as a result of a proposal submitted in response to an RFP. Any proposed modifications to the terms and conditions of the standard contract are subject to review and approval by AOA. The firm shall be referred to as “CONTRACTOR” in the agreement.

The selected firm will be expected to enter negotiations with AOA, which will result in a formal agreement between the parties. Procurement will be in accordance with the subsequent contracted agreement. This RFP and the selected firm’s response to this RFP will be incorporated as part of any formal agreement.

If the firm to whom the contract is awarded fails to enter in the agreement as herein provided, the award will be annulled and an award may be made to another firm. Such firm shall fulfill every stipulation embraced therein as if they were the party to whom the first award was made.

The selected firm under this RFP shall be subject to contractual provisions, in a form substantially similar to the following, as well as those agreed to by the parties and not specifically described herein.

### A. Term

The term of the contract between the successful firm and AOA shall be determined by AOA with consideration of the agency's request. The agreement may be terminated by AOA at any time by giving written notice to the CONTRACTOR of such termination. Upon such termination, the CONTRACTOR will be paid for the hours of work actually completed.

In the event the successful firm materially breaches any obligation under this Agreement, the CONTRACTOR shall not be relieved of any liability to the State of Delaware for damages suffered by it by virtue of any such breach. AOA may withhold any payments to CONTRACTOR for the purpose of set off for such damages.

### B. Compensation

AOA agrees to pay CONTRACTOR compensation calculated solely on the amount of audit work performed by firm’s staff, based on actual hours billed and hourly rates as set forth in Appendix A herein, as well as approved out-of-pocket expenses.

CONTRACTOR agrees to bill AOA only for actual work performed and out-of-pocket expenses incurred during its performance of the engagement. CONTRACTOR must submit all invoices in writing or electronic format to AOA for approval. Invoices must include the name of the auditor who performed the work, the nature of work performed,

the date(s) work performed, the number of hours worked and the corresponding hourly rate, in addition to the amounts, descriptions and dates of all out-of- pocket expenses for which reimbursement is requested. If approved, AOA will forward the invoice to the auditee for payment or pay the invoices itself, depending on the type of audit.

C. Non-Appropriation

In the event the General Assembly fails to appropriate the specific funds necessary to enter into or continue the contractual agreement, in whole or in part, the agreement shall be terminated, as to any obligation of the State of Delaware requiring the expenditure of money for which no specific appropriation is available at the end of the last fiscal year for which no appropriation is available or upon the exhaustion of funds.

D. Notice

Any notice to AOA required under this Agreement shall be in writing and sent by regular mail and registered mail to:

Attention: R. Thomas Wagner, Jr.  
Auditor of Accounts  
Townsend Building, Suite 1  
401 Federal Street  
Dover, DE 19901

E. Formal Contract and Purchase Order

The successful firm shall promptly execute an agreement incorporating the terms of this RFP within twenty days after the award of the contract. No bidder is to begin any service prior to receipt of a State of Delaware purchase order signed by two authorized representatives of the agency requesting service, properly processed through the State of Delaware Accounting Office and the (Agency). The purchase order shall serve as the authorization to proceed in accordance with the bid specifications and the special instructions, once it is received by the successful firm.

F. Indemnification

By submitting a proposal, the proposing firm agrees that in the event it is awarded a contract, it will indemnify and otherwise hold harmless the State of Delaware, its agents and employees from any and all liability, suits, actions, or claims, together with all costs, expenses for attorney's fees, arising out of the firm's, its agents and employees' performance of work or services in connection with the contract, regardless of whether such suits, actions, claims or liabilities are based upon acts or failures to act attributable, in whole or in part, to the State of Delaware, its employees or agents.

G. Compliance

In performance of the contract the firm is required to comply with all applicable federal, state and local laws, regulations, policies, guidelines and requirements of the jurisdiction in which the Agreement is performed, as well as all applicable professional conduct rules

and guidelines. The cost of permits and other relevant costs required in the performance of the contract shall be borne by the successful firm. The firm shall be properly licensed and authorized to transact business in the State of Delaware as provided in Section 2502 of Title 30 of the Delaware Code and other applicable statutes and regulations.

H. Insurance

The firm recognizes that it is operating as an independent contractor (and not an employee of the State of Delaware) and that it is liable for any and all losses, penalties, damages, expenses, attorney’s fees, judgments, and/or settlements incurred by reason of injury to or death of any and all persons, or injury to any and all property, of any nature, arising out of the contractor’s negligent performance under this contract, and particularly without limiting the foregoing, caused by, resulting from, or arising out of any act of omission on the part of the contractor in their negligent performance under this contract. The firm must certify that it shall maintain such insurance as will protect against claims under Worker’s Compensation Act and from any other claims for damages for personal injury, including death, which may arise from operations under the Agreement. The firm is an independent contractor and is not an employee of the State of Delaware.

The firm shall, at its expense, carry insurance of minimum limits as follows:

Comprehensive General Liability.....	\$1 million per claim/ \$3 million aggregate
Professional Liability.....	\$1 million per claim/ \$3 million aggregate

The firm shall provide a certificate of insurance as proof that the firm has the required insurance.

I. Non-Discrimination

In performing the services subject to this RFP, the firm agrees that it will not discriminate against any employee or applicant for employment because of race, creed, age, marital status, religion, color, sex, genetic information, national origin, or disability. The successful firm shall comply with all federal and state laws, regulations and policies pertaining to the prevention of discriminatory employment practice. Failure to perform under this provision constitutes a material breach of contract.

J. Covenant Against Contingent Fees

The successful firm warrants that no person or selling agency has been employed or retained to solicit or secure this contract upon an agreement of understanding for a commission or percentage, brokerage or contingent fee excepting bona-fide employees, bona-fide established commercial or selling agencies maintained by the bidder for the purpose of securing business. For breach or violation of this warranty, AOA shall have the right to annul the contract without liability or at its discretion to deduct from the contract cost or otherwise recover the full amount of such commission, percentage, brokerage or contingent fee.

K. Contract Documents

The RFP, the Purchase Order and the executed Agreement between AOA and the successful firm shall constitute the Contract between AOA and the firm. In the event there is any discrepancy between any of these contract documents, the following order of documents governs so that the former prevails over the latter: Agreement, Purchase Order, and RFP. No other documents shall be considered. These documents contain the entire agreement between AOA and the firm. Firm agrees to be bound by the terms of this RFP pending final execution of the Agreement by the parties.

L. Applicable Law

The laws of the State of Delaware shall apply, except where Federal law has precedence. The successful firm consents to exclusive jurisdiction in the State of Delaware and agrees that any litigation relating to this Agreement shall be filed and litigated in a court in the State of Delaware.

M. Scope of Agreement

If the scope of any provision of this Agreement is too broad in any respect whatsoever to permit enforcement to its full extent, then such provision shall be enforced to the maximum extent permitted by law, and the parties hereto consent and agree that such scope may be judicially modified accordingly and that the whole of such provisions of the Agreement shall not thereby fail, but the scope of such provisions shall be curtailed only to the extent necessary to conform to the law.

APPENDIX A

SCHEDULE OF PROFESSIONAL FEES AND EXPENSES  
FOR THE AUDIT OF THE DEPARTMENT OF XYZ  
FOR FISCAL YEARS 20\_\_ - 20\_\_

	<u>Hours</u>	<u>Standard Hourly Rates</u>	<u>Quoted Hourly Rates</u>	<u>Total</u>
Partner	10	\$ 195	\$ 180	\$ 1,800
Manager	15	\$ 175	\$ 150	\$ 2,250
Supervisor	63	\$ 140	\$ 125	\$ 7,875
Senior	-	\$ -	\$ -	\$ -
Staff	49	\$ 87	\$ 87	\$ 4,263
Other (Specify)		\$ -	\$ -	\$ -
Sub Total	<u>137</u>			<u>\$ 16,188</u>
Out-of-pocket expenses				
Meals and lodging				\$ 665
Transportation				
Other (Specify) _____				\$ 120
Total all-inclusive maximum cost for Fiscal Years 20__ - 20__ Audit				<u><u>\$ 16,973</u></u>

Note: The rate quoted should not be presented as a general percentage of the standard hourly rate or as a gross deduction from the total all-inclusive maximum cost.

We will accept the State of Delaware's prevailing rates for travel reimbursement.

AGREED-UPON PROCEDURES

**PeopleSoft Pre-Implementation Audit Program  
Release 8.9 – Financial System (11 Modules)**

**I. SCOPE**

The agreed-upon procedures listed below for the Pre-Implementation Review of the FSF System and Upgrade to PHRST System will be done in three stages. **Three separate written reports will be required for the three stages. Stage 1 will be Sections I – III; Stage 2 will be Sections IV-XV; and Stage 3 will be Sections XVI-XVII.**

1. Asset Management (AM)
2. Accounts Payable (AP)
3. Accounts Receivable (AR)
4. Billing (BI)
5. Cash Management (CM)
6. eProcurement
7. Purchasing (ePro/PO)
8. General Ledger
9. Commitment Control (KK)\*
10. Grants Management (GM)
11. Projects Costing (PC)

**II. GENERAL**

1. Obtain a company organizational chart
2. Obtain a copy of all security policies and procedures
3. Obtain a diagram of the PeopleSoft application architecture.
4. Obtain a copy of “problem tracking” or “incident report” for the application being audited.
5. Obtain a copy of all system enhancements that are queued up for implementation.
6. Obtain a copy of the application’s documentation
7. Obtain a copy of the development methodology used to complete the System (Business and Design Requirements Processes)
8. Obtain a copy of any service level agreements established for the application.
9. Obtain a copy of the contingency/backup plan for the application
10. Obtain a copy of the Corporate Disaster Plan.
11. Determine which release of PeopleSoft is installed.
12. Identify the modules installed.
13. Determine the interfaces to the production system.
14. Determine what level of custom programming is on-going.
15. Evaluate the overall PeopleSoft security architecture.
16. Determine the operating systems and database management systems running within the environment.



17. Obtain the following items:
  - a. List of all Operating System user accounts.
  - b. List of all DBMS user accounts.
  - c. List of all Operator Ids.
  - d. List of all Operator Classes.
  - e. List of all Process Groups.
  - f. List of all Object Groups.
  - g. List of all Access Groups.
  - h. List of all PeopleSoft directory and file rights.
  - i. List of any audit reports.
  - j. List of any violation logs.
  - k. List of any incident reports.
  - l. List of any outstanding application requests.

### III. Design And Implementation

1. Determine if proper planning has been formalized:
  - a. Has a clearly established functional or geographical approach been established?
  - b. Has a structured methodology been adopted and is the plan documented including realistic time frames?
  - c. Has the plan identified the conversion approach?
  - d. Has the plan identified critical milestones including management approval and user acceptance at specific points?
  - e. Has a top-down plan been developed to address system integration issues?
  - f. Have PeopleSoft release dates been taken into consideration as part of the plan?
  - g. Does the plan consider the time to perform a post-implementation review?

Basic project plan consideration – business process evaluation with written functional business requirements, risk assessment, testing, security control and privacy measures, user training, conversion, implementation, and interfaces.
2. Determine if the proper organization and staffing for the team has been completed.
  - a. Has a Steering Committee been organized to include all functional business areas?
  - b. Have enterprise-wide standards been established?
  - c. Are users assigned to key project management positions?
  - d. Has a technical team been established separate from the functional team to share technical responsibility and to ensure standard techniques are employed?
  - e. Is the staff size appropriate for the scope of the implementation?

Basic Project Management Team consideration – defined levels of authority, process to identify deviations from project schedule, appropriate representation of all project stakeholders, and a process for resolution of project delays and unexpected or undesirable results.
3. Determine if adequate training is conducted.
  - a. Review the training program to ensure that it is adequate and addresses all functional areas.
  - b. Ensure that the training approach is integrated into the project methodology.
  - c. Ensure that adequate time for all levels of training is scheduled.

Basic training consideration – adequacy of systems manuals (technical and user), appropriate levels of manual review and sign-off, processes to update system manuals.

4. Determine if the project is properly controlled through budget, quality, and schedule.
  - a. Are standard project control tools and documentation formats used across teams to ensure consistent communication and minimize impact of team turnover?
  - b. Are weekly or even daily cross-team progress meetings held along with monthly steering committee meetings to communicate status and resolve issues?
  - c. Are issues logs used to resolve project delays?
  - d. Ensure that a consistent implementation methodology across all teams is being employed.
  - e. Is the project measured by work plan tasks and deliverables rather than hours spent?
  - f. Are all support systems considered such as e-mail established at the beginning of the project?
5. Determine to what extent re-engineering is being employed.
  - a. If the project team is going through a large re-engineering effort, ensure that it is completed prior to the beginning of the implementation process. Otherwise, the changes can be incorporated during the analysis and design phases.
  - b. Ensure that all re-engineering processes are formally signed-off.
6. Determine if an adequate global design is completed.
  - a. Have practices and processes globally been harmonized along with PeopleSoft functionality?
  - b. Are key system checkpoints mapped to the global design to ensure the system meets the needs of each region?
  - c. Are the use of prototyping and playbacks used to validate the design?
  - d. Have key data items such as order number, customer number, chart of accounts, and company codes been standardized?
7. Determine to what extent workflow analysis has been performed to ensure an accurate and efficient accounting system that can produce reliable financial statements.
8. Determine if proper integration has been designed into the system.
  - a. Determine if an overall integration plan has been developed and reviewed by the integration team?
  - b. Has the integration team been involved throughout the project?
  - c. Are the integration points tested throughout the project?

Basic system test considerations – data entry, editing, reporting, calculations, error reporting, interfaces, network communications, printing, critical functions testing, capability and capacity testing.
9. Determine if the PeopleSoft software is properly configured.
  - a. Has the organizational hierarchy been properly established within the software?
  - b. Have any modifications to the supplied software been completed? If so, determine the risk impact of such modifications.
  - c. Are cross-checks conducted periodically for table configurations with all team members?
  - d. Are checks conducted to ensure that table and file structures are consistent across all locations?
10. Determine if matrices are used to define job functions and proper segregation of duties.
11. Determine the adequacy of the conversion back out plan (e.g., The detailed plan needed to stop the conversion and restore the current system.).
12. Determine if data ownership responsibilities are defined for the system.
13. Determine if the system is adequately tested prior to implementation and ensure that all aspects of the new system including unexpected results are thoroughly resolved.
14. Determine if physical security over hardware and software is adequate.

#### **IV. PeopleSoft's Security Architecture**

1. Obtain a network diagram of the PeopleSoft architecture. This should include all application servers and database servers.
2. Determine where the physical data is located. The physical location is the primary control point. The security surrounding the physical data protects it from unauthorized access.

#### **V. Work Station Security**

1. Determine that adequate authentication security is established for each PeopleSoft's workstation.
2. Ensure that no startup passwords have been defined in clear text on the workstation.

Connection ID passwords may be stored within the Registry. The storage of the password in clear text or encrypted form is not secure.
3. Determine if the configuration files of the PC are automatically checked to ensure that no changes are made without proper approval. Tools such as SMS from Microsoft and Norton Administrator will automatically check the consistency of any file on the PC each time the user signs onto the application server.
4. Determine that no terminal-stay-resident programs such as a key stroke capture program are present on the PC. These programs can pick up the user's password and store it on the PC for later retrieval.

#### **VI. Operating System Security**

1. Determine which users have read/write access to this directory. Evaluate whether this level of access is required to perform their job function.
2. Review membership of key groups to ensure that only authorized members are present.
3. Ensure that the directories are not open for an attack from a normal user account.
4. Review all the trust relationships and determined that they are properly established and administrated.
5. Ensure that your operating system is up-to-date with the latest system patches.
6. Determine which users have read/write access to this directory. Evaluate whether this level of access is required to perform their job function.
7. Determine and evaluate who has root authority on the system (uid = 0).
8. Determine who has psadm or hradm PeopleSoft authority and ensure that they require this level of authority for their job function.

#### **VII. DBMS System Security**

1. Determine who can log on to the database directly and what rights they have within the database.
2. Determine which users have administrative rights and ensure that these individuals require this level of access.

3. Ensure changes for any default user ids such as:  
Sys Password = Change\_On\_Install  
System Password = Manager  
Sysadm Password = Sysadm  
DesktopDBA Password = DesktopDBA
4. Determine that proper segregation of duties are in place for DataBase Administration
5. Obtain the Database initialization file INIT.ORA.
6. Obtain major Data Dictionary Views
  - DBA\_OBJECTS
  - DBA\_TAB\_COLUMNS
  - DBA\_USERS
  - DBA\_VIEWS
7. Review all user profiles to ensure that only authorized users have access to the application files.
8. Determine which users have physical access to the application files and ensure that this privilege is necessary to support their job function.
9. Determine that all default userids and passwords have been changed.
  - SYS
  - SYSTEM
  - SCOTT
  - Sysadm
10. Ensure that all users are required to enter a password along with their userid to authenticate to the application.
11. Determine that the passwords are required to be changed on a periodic basis.
12. Review the objects rights to ensure that only authorized users are allowed to operate against these objects.
  - DBA\_TAB\_GRANTS
  - DBA\_COL\_GRANTS Direct table access and stored procedure access should be investigated to ensure that only authorized users or programs have access to the application files.
13. Ensure that the WITH GRANT OPTION is only assigned to appropriate users for appropriate objects.
14. Determine what level of auditing has been turned on by reviewing the INIT.ORA file to see if AUDIT\_TRAIL is set to TRUE and the DBA\_SYS\_AUDIT\_OPTS & DBA\_TAB\_AUDIT\_OPTS.
15. Determine that the audit trail is reviewed on a regular basis.
16. Determine who has been assigned import and export capability.
17. Review all operating system roles OSOPER for assignment to valid users.
18. Ensure that any assignment to the user "Public" is highly restricted.

## **VIII. Application Security**

1. Obtain a listing of all users and all user classes.
2. Obtain a copy of all security authentication standards that have been established.
3. Determine if users (Operators) have valid sign-on times established.
4. Determine if users (Operators) have effective time-out periods that are set.
5. Determine if the following authentication standards are in place:
  - Password required
  - Password lengths
  - Password construction rules
  - Number of invalid password attempts
  - Retention time of invalid password count
  - Lock out time period
  - Session time-outs
  - Password aging
  - Sign-on time of day restrictions
  - Restriction by workstation id
  - Challenge and Response Authentication Protocol (CHAP)
6. Review the OPRID/OPRCLASS assigned menus/panels/actions to determine if the assignment is required for their job function.
7. Review the Process groups (Batch Security) assigned to each OPRID/OPRCLASS to determine if the assignment is required for their job function. Process Scheduler Security minimum panel level security is triggered with access to PRCSRUNCNTL panel.
8. Review the audit reports on the system to ensure that they are adequate to determine who entered what transaction when.
9. Review the use of the following integrity tools:
  - SYSAUDIT**

The purpose of PeopleSoft's System Audit (SYSAUDIT.SQR) is to identify "orphaned" PeopleSoft objects and other inconsistencies within your system. This report should be run during new releases, major updates, or customizations.
  - DDDAUDIT**

The Data Designer/Database Audit Report (DDDAUDIT.SQR) finds inconsistencies between PeopleTools record and index definitions and the database objects. This should be run for major releases, major updates, or customizations.

## **IX. Object Level Security**

Object security uses the operator classes and operator ids to restrict object level security. PeopleSoft is delivered with no application object security. All operators and operator classes have complete access to all PeopleTools objects.

Object Security defines object groups and links them to Operator Security profiles. An object group is a collection of one or more objects that form a logical group for security purposes. For instance, all payroll objects could be assigned to a pay object group and the pay object group could be assigned to a specific security profile (Operator Class). Object security can be applied only to object groups, not to individual objects. Each object should be assigned to an object group. Multiple assignments can be established for each object. All objects should

be assigned to at least one object group or anyone can update it. If an object is assigned to an object group but the group is not assigned to an Operator Class, then no one can access the object.

To open object security: Start, PeopleTools, and Application Designer Security.

- All Objects                      All Objects                      Object type = A
  - Import                              Import Utility                      Object type = I
  - Menus                              Menu Designer                      Object type = M
  - Panels                              Panel Designer                      Object type = P
  - Records                              Data Designer                      Object type = R
  - Fields                              Data Designer                      Object type = R
  - Tree structures                      Tree Manager                      Object type = E
  - Query Definitions                      Query                      Object type = Q
  - Translate Field Conversion                      Object type = X
  - Business Process                      Object type = B
  - Business Process Map                      Object type = U
  - Tree Structure                      Object type = S
1. Review all operator ids and classes that have **\*\*ALL OBJECTS\*\*** group. This is the supergroup and includes all system objects. Granting access to this group overrides any other group ID assignments.
  2. Review all operator ids and classes that have PeopleTools object group access.
  3. Review all operator ids that have the special super user class of PSADMIN class. This class has all rights and does not have any security checking performed.
  4. List all of the Object Groups. (Object Groups associate various objects into functional groups). Review all objects/object groups and their associated operator ids or classes. Determine if their job function requires them to have this level of access.

## **X. Query Security**

1. Determine if the access rights for each OPRID/OPRCLASS is proper according to their job classification.

## **XI. Network Security**

1. Determine that all authentication processes within the application architecture are secure as they go across the network.
2. Determine that all authentication processes within the Client/Server architecture are secured as they go across the network.
  - Bridges
  - Routers
  - Hubs
3. Determine that the administrative rights to the gateway are properly assigned.
4. Determine that the authentication mechanism to sign-on to the gateway is secured.
5. Determine if the configuration parameters for the gateway are properly set.
6. Determine if sensitive data travels across the network in clear text.
7. Ensure that network diagnostic tools are properly assigned and locked up when not in use.
8. Determine if the SNMP agent is enabled within the network components.

9. Ensure that only authorized users can access the SNMP's capabilities.

## **XII. Change Control**

1. Determine that proper segregation of duties are in place for the migration of test to production.
2. Determine and evaluate change control procedures for:
  - Emergency fixes
  - Master Data
  - Custom Programming
  - SQR code
  - Peoplecode
3. Determine who has the authority to migrate modified customer-defined objects to production.
4. Sample some recent changes for your audit and review the procedures followed.
5. Identify the architecture of the change environment.
  - Development
  - Quality Control
  - Production

## **XIII. Security, Audit, & Control of Remote Communications**

1. Obtain a listing of all remote connections attached to the environment.
2. Determine that all remote connections enter through a secured point of entry.
3. Validate the sign-on requirements for remote authentication.
4. Ensure that direct access to Personal Computers or File Servers is restricted without first going through the authentication server.
5. Ensure that the authentication process does not go across the network in clear text.
6. Determine that a log file records all connections.
7. Ensure that any hacking activity is properly controlled by good authentication controls.

## **XIV. Interface Security & Control Mechanisms**

1. Identify all system interfaces.
2. Review reconciliation procedures in effect to ensure that they are adequate.
  - Record counts
  - Total number of customer/vendors processed
  - Total credits
  - Total debits
  - Total amounts
  - Total volume
1. Identify the mode of submission and the authentication practice employed to ensure that a proper audit trail is in force.
2. Review the use of standard utilities to transform interfaced data into a PeopleSoft format.
3. Identify any critical or sensitive data that is redundant to ensure that changes are made to both systems in a timely fashion.

## **XV. Application Support**

1. Determine the existence of a qualified group (or individual) designated to support the application.
2. Review the job functions statement and interview users of the service to determine the scope and effectiveness of the position.
3. Determine if remote workstation processing locations are provided with “hot line” consultation on problems relating to workstation hardware and software.
4. Determine if all incidents and resolutions are properly recorded.

## **XVI. Contingency Planning**

1. Obtain a copy of the disaster recovery/contingency plan.
2. Review the plan for adequacy.
3. Evaluate that the plan has been recently tested.
4. Ensure that backup copies of critical or sensitive data are properly protected.
5. Determine if one of the following is implemented to ensure system reliability:
  - Mirroring
  - Duplexing
  - Fault tolerance machines
  - On-Line vaulting
6. The contingency plan should include the following:
  - A. Workstation
  - B. Network
  - C. File Server
  - D. DBMS
  - E. Interfaces
  - F. Programs
  - G. Data

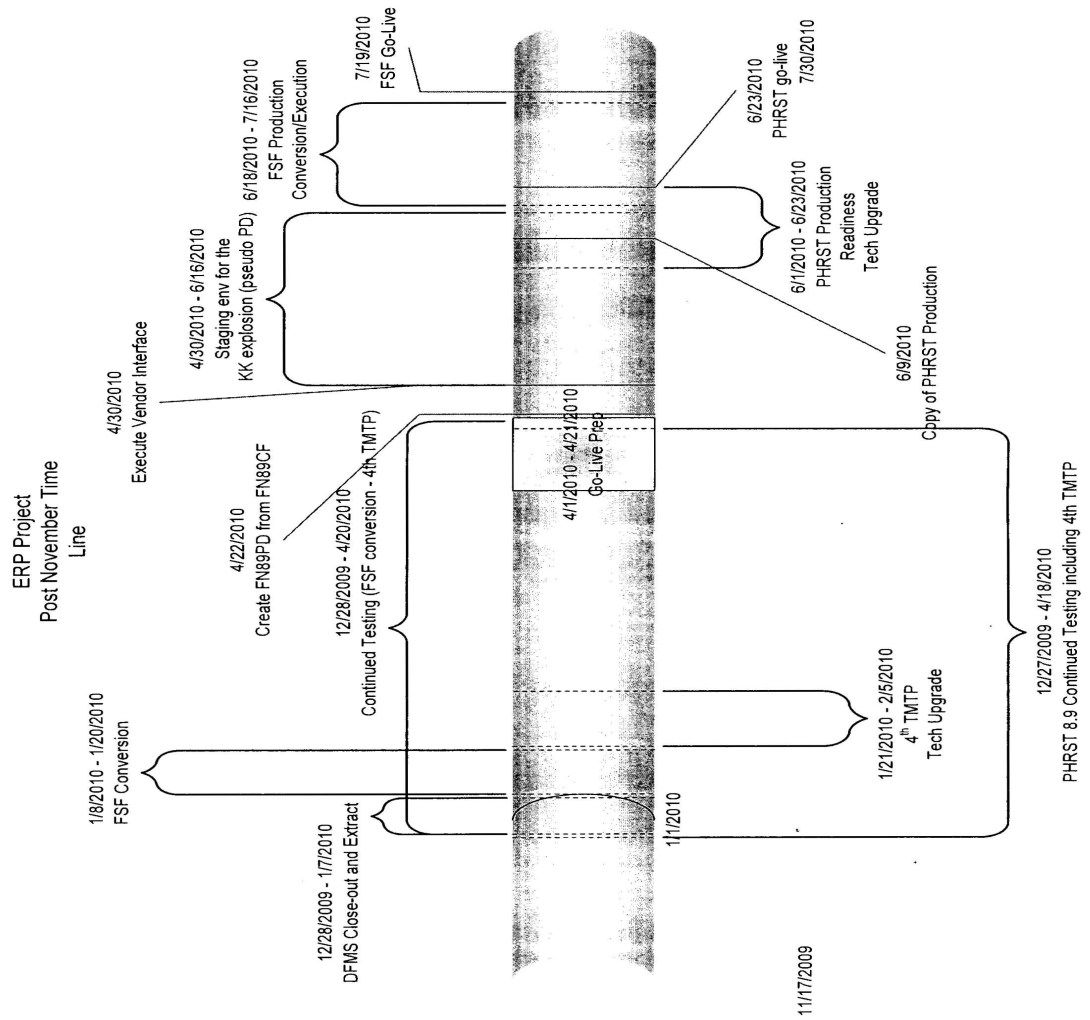
## **XVII. HR Procedures**

1. Develop a high-level process flow diagram and overall understanding of the HR processing cycle, including the following subprocesses:
  - Master Data Maintenance
  - Commencements
  - Personal Development
  - Terminations
2. Assess the key risks, determine key controls or control weaknesses, and test controls:
  - The controls culture of the organization
  - The need to exercise judgment to determine the key controls in the process and whether the controls structure is adequate (Any weaknesses in the control structure should be reported to executive management and resolved.)
3. Review security design documentation detailing the configured controls implemented in the system and approved by management. In particular, review the online edit and validation checks and range checks.

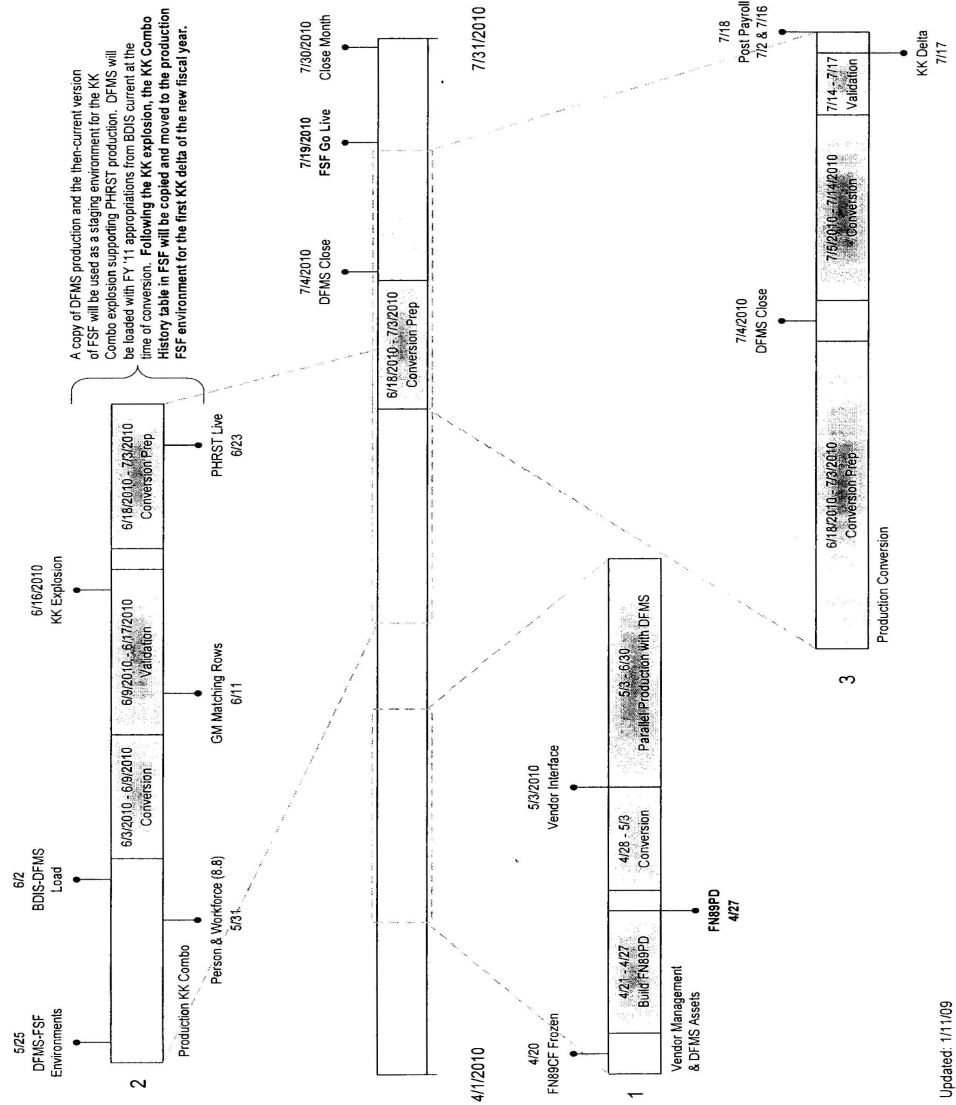


4. For validation checks or for the entire population, enter changes to employee data and observe the outcome to these attempts. Organizations may be reluctant to allow auditors to have access to make test changes in the production environment. Consequently, perform audit tests in the Test or QA environment. Corroborate that the configuration of controls in the Test/QA environment is the same as that in the production environment.
5. Review access security matrices and access assignment documentation to gain an understanding of the security design. Determine if the documentation was authorized by management prior to implementation.  
***Access to make changes to payroll setup tables is restricted appropriately.***
6. Review security design documentation detailing the configured controls implemented in the system and approved by management. In particular, check the configuration controls designed for the mandatory fields in payroll table data entry.
7. Observe a system administrator delete one of the mandatory fields and attempt to save the change. Observe if a warning/error message is displayed. [Note: Ensure that the original data stored within the Mandatory field are reset.]
8. Access to make changes to employee payroll master data is restricted appropriately.
9. Review security design documentation detailing the configured and customized controls implemented in the system and approved by management, particularly the online edit and validation checks and range checks. For either a sample of the edit and validation checks or for the entire population, enter changes to employee data and observe the success or failure of these attempts. For example, attempt to change the bank ID and branch ID of an employee's bank information via Home→Workforce Administration→ Personal Information→Biographical →Bank Accounts.
10. Online edit and validation checks and range checks are configured in the system.
11. Review security design documentation detailing the configured controls implemented in the system and approved by management. In particular, review the online edit and validation checks and range checks. For a sample of employee data or for the entire population, enter changes to employee data and test for edit and validation checks. Observe the success or failure of these attempts.
12. Access to Payroll Setup tables and master file transactions is restricted appropriately.
13. Who has access to define business rules, administration of employee payroll data and compensation? Are these users appropriate? Who has add/correction/update access to Set Up HRMS business rules? This should be restricted to the Payroll administrator only. Are error messages displayed when access is denied?
14. PeopleSoft access security design is documented and signed off by management during the implementation.
15. Review the system design documentation relating to access security (design of roles and permission lists) and any established policies, procedures, standards and guidance related to the maintenance of roles/permission lists and the list of roles/ permission lists and their assignment to user IDs defined in the system. Ascertain from management whether this documentation has been maintained accurately since implementation.  
***Policies and standards are documented to define the critical records and record fields that are to be logged for changes.***

16. Review security procedures created by management that identify what critical records and fields are being logged and how often these logs are reviewed by management. For the critical records and record fields identified, check that the following audit settings have been configured appropriately in Application Designer:
  - Record-level auditing—Choose the Objects workspace and open the record. Check Use Properties, and review the audit options selected:
  - Audit Record Add—Inserts an audit table row whenever a new row is added to the table
  - Audit Record Change—Inserts one or two audit table rows whenever a row is changed on the table
  - Audit Record Selective—Inserts one or two audit table rows whenever a field that is also included on the record definition for the audit table is changed
  - Audit Record Delete—Inserts an audit table row whenever a row is deleted from the table
17. Access to the process schedule manager functions is restricted to authorized users.
  - Who has access to the Process Schedule Manager?
  - Do they require this access?
  - Have process security groups and process profiles been established and assigned to permission lists that are aligned with the security design and management's intentions?
  - Are there documented procedures for the maintenance of roles/ permission lists and, in particular, the design and assignment of process scheduler access, process groups and process profiles?
  - Who has access to the powerful profiles? Are these users appropriate?
  - Is the assignment of powerful permission lists restricted in line with approved security design documentation and management's intentions?



# July 2010 Go-Live Timeline



Updated: 1/11/09